January 14, 2020

Board of Supervisors
3501 Civic Center Drive
San Rafael, CA 94903

SUBJECT: Public Hearing for a 4.21% Marin Sanitary Service Rate Increase

Dear Board Members:

RECOMMENDATIONS: Hold a Public Hearing at 10:30 a.m. to consider a 4.21% rate increase for Marin Sanitary Service for the Central Marin Franchise Areas 1-6, and Ross Valley North, and Ross Valley South Franchise Areas effective January 1, 2020.

SUMMARY: Marin Sanitary Service, Inc. (MSS) holds the exclusive franchise for waste and resource hauling in the unincorporated areas known as Central Marin Franchise Areas (1-6), Ross Valley South, and Ross Valley North Franchise Areas. The six small Central Marin Franchise Areas include unincorporated parts of Bayside Acres, Country Club Estates, Bret Harte, Point San Quentin, Lucky Drive, and Greenbrae Boardwalk. Ross Valley South includes Kentfield, Greenbrae, Kent Woodlands, and Del Mesa Heights. Ross Valley North includes Sleepy Hollow and Oak Manor.

These services are pursuant to a Franchise Agreement between the County and MSS which outlines the services that must be provided as well as a methodology to be followed to set customer rates each year. The MSS 2020 Rate Application is provided in Attachment 1.

This report details the rate adjustment proposal for 2020 necessary for Marin Sanitary Service to provide refuse, recycling, and organic materials composting, hauling, and processing. Rate payers include residential homeowners, apartment owners, commercial property owners, and other businesses and tenants. The proposed rate adjustment would increase rates by 4.21% over 2019 levels for all rate payers. It includes adjustments based on an agreed-upon rate-setting methodology the County has with Marin Sanitary Service and is based upon an independent third-party review of expenses and revenues by R3 Consulting Group, Inc. (R3).
Several jurisdictions in Marin that have similar agreements with MSS joined together as the Marin Franchisors’ Group to share information and reduce costs. These jurisdictions are: City of San Rafael, City of Larkspur, Town of Ross, the Las Gallinas Valley Sanitary District, and the County of Marin. The Marin Franchisors’ Group (“Franchisors”) meets several times per year to oversee MSS’s operations and works together to conduct a single annual rate review analysis rather than each jurisdiction having to conduct and pay for a separate review. Please recall that the Franchise Agreement was amended in 2018 with the following modifications:

1. **Replaced the Recycling Reserve Fund** with a net processing fee structure that allows MSS an annually adjusted processing fee minus revenues from the sale of recyclable materials. This new method of calculating recycling in the annual rate application includes an incentive for MSS to seek the best prices for selling the materials, while also providing a mechanism to ensure revenues help offset customer rates when markets are good.

2. **Includes a substantially streamlined and simplified annual rate adjustment methodology.** The new methodology sets rates based on set revenues due to MSS, which are escalated annually based on one simple Water, Sewer, and Trash (WST) index, which has increased between 2 to 5% annually in recent years. This places more incentive on MSS to live within the regulated revenue amount.

3. **Removes true-up provisions** from the previous methodology, other than those negotiated for three years to amortize past recycling losses to the company.

4. **Includes a 2.5% minimum and a 5% maximum rate cap** for MSS’ operational expenses; excluding franchise/agency fees and the cost of processing, recycling, composting and disposal --outside of MSS control.

In total, these changes are intended to provide more stable and predictable rates, continued verifiable high levels of service, and a simplified and cost-effective rate-setting methodology that also improves accuracy and transparency.

This rate-setting report, conducted by R3 Consulting Group, Inc. (R3) is the first rate review using the new methodology and is provided in Attachment 2.

R3 reviewed the application and all relevant documents and financial schedules with MSS and recommends an increase of 4.21%. This would result in an increase of $1.88 per month for a residential 32 gallon cart, which is the most common cart size, totaling $49.17. Recycling, composting, and access to
Board of Supervisors
January 14, 2020
Page 3 of 3

household hazardous waste drop-off is included in all accounts and customers can control their rate by minimizing their landfill container size. The detailed rates, at various service levels, are provided in Attachment 3.

FISCAL IMPACT: There is an estimated County revenue increase of approximately $31,000 in fees associated with this proposed rate increase. Public Works Waste Management (1005621) will receive an estimated $930 to cover this year’s 3% staffing COLA and an estimated $30,070 will be deposited in a Waste Reduction Public Outreach Project (41PWWRPOP). Revenues and expenditure will be appropriated based on the actuals received through the monthly budget adjustments process. There are no other impacts by this action.

REVIEWED BY: [ ] County Administrator  [ X ] N/A
[ ] Department of Finance  [ X ] N/A
[ ] County Counsel  [ X ] N/A
[ ] Human Resources  [ X ] N/A

Respectfully submitted,

Steve Devine
Program Manager

Attachments:

1. Rate Adjustment Request from Marin Sanitary.
2. Review of Marin Sanitary Service’s 2020 Rate Application
3. Rate Tables Effective 01/01/2020.

CC: Marin Sanitary Service

f:\waste\solid waste\franchises\mss\2020\hearing\bos letter-mss 2020 hearing.docx
1/6/2020 11:35 AM